

Virginia Department of the Treasury
Request for Proposals DM-09-005
for
Underwriter/Remarketing Agent
Variable Rate Demand Bond Program

PURPOSE AND REQUIREMENTS:

The purpose of this Request for Proposals (“RFP”) is to solicit proposals to establish a pool of firms to serve as Underwriter/Remarketing Agent in connection with the variable rate demand bond (“VRDB”) program for Commonwealth of Virginia (“the Commonwealth”) and its entities with respect to appropriation supported and other types of bonds. The Commonwealth has developed a variable rate program for the Virginia College Building Authority (VCBA), and the Virginia Public Building Authority (VPBA). Each issuing entity has adopted its own Variable Rate Debt Policy in compliance with the Treasury Board Interest Rate Risk Guidelines, dated May 18, 2005 (which may be found at this link: http://www.trs.virginia.gov/documents/debt/Var%20Rate%20Guidelines_5-18-05.pdf). The VCBA Variable Rate Policy may be found at this link: <http://www.trs.virginia.gov/Documents/Debt/VCBA/Final%20VCBA%20Var%20Rate%20Policy%209%2015%202005.pdf>. The VCBA and the VPBA currently have \$111,230,000 and \$50,000,000 outstanding in variable rate demand bonds respectively.

Requests for Proposals are being solicited now to allow the Commonwealth to benefit from the input of the firm(s) selected in structuring potential additional variable rate demand bond program(s) and bond issue(s), including an issue planned for October 2008, as described more fully below. Firms selected as a result of this RFP, will be qualified to serve as remarketing agent for one or more new issues of variable rate demand bonds issued through October 31, 2010, unless terminated

Underwriter/Remarketing Agent role(s) as it deems appropriate.

It is anticipated that the next issue of variable rate bonds will have liquidity support provided by Wachovia Bank, N.A.

The expenses of preparing and submitting the proposal will be the responsibility of the proposer.

The Underwriter/Remarketing Agent, their attorneys and/or consultants, if any, will only be compensated as determined by the issuing entity for the obligations when, as, and if issued.

Timetable:

Event	Date
Issuance of RFP	Friday August 29, 2008
Deadline for Submission of Proposals	Thursday, September 11, 2008, Noon
Telephone Interviews (if any)	Thursday, September 18 and/or Friday, September 19, 2008
Anticipated Notification of Successful Firm(s)	Friday, September 19, 2008

PROPOSAL REQUIREMENTS and SELECTION CRITERIA:

Proposals should provide information requested in the following selection criteria areas. **Responses shall be limited to a maximum of 10 pages, not including your firm's cover letter and any Appendices provided in response to questions B. 1, 2, 3, and 6. Treasury reserves the right to disqualify any proposal violating the 10 page limit.** The selection and the award of the contract shall be made of the Offeror(s) deemed to be fully qualified and best suited among those submitting proposals on the basis of the following evaluation factors and questions:

A. Plan of Finance (40%)

1. Discuss the current market situation for variable rate demand bonds. Further, discuss any special requirements and risks associated with issuing under \$50 million of VRDBs such as minimum credit rating, maximum exposure to a specific liquidity provider, insurance or other conditions. In particular, address the following issues: market saturation of VRDB products nationally and specifically in Virginia and relative trading values of liquidity providers.
2. Provide a recommended structure for Commonwealth appropriation-backed VRDBs, including minimum size, choice of mode, number of remarketing agents and maximum rate.
3. Describe your firm's marketing plan for the Commonwealth's VRDBs.
4. Discuss ways an issuer can monitor and ensure performance of its remarketing agents.
5. In October 2008, the VCBA plans on issuing, under its Public Higher Education Financing Program ("Pooled Bond Program"), approximately \$25 million in VRDBs as a stand-alone issue. The Pooled Bond Program allows the Authority to issue bonds and to use the proceeds to purchase obligations (notes) of public institutions of higher education. Participating institutions pledge their general revenues as security for the debt obligations purchased by the Authority. An additional security mechanism allows the Authority to intercept appropriations from the Commonwealth to the institution in the event the institution fails to

Due: Noon, September 11, 2008

pay on its obligations to the Authority. As described, this proposed issue is different from the currently outstanding pure appropriation backed VRDBs issued by the VCBA and the VPBA. What approach would you take in presenting these bonds to the rating agencies and investors and what similarities and differences to the appropriation-backed credit would you highlight. Also provide a recommended structure for this proposed issue, including choice of mode and maximum rate, if different from response to Question A.3.

B. General Qualifications and Experience (30%)

1. Describe briefly your firm's experience with similar tax-exempt VRDB issues under \$100 million since July 2007. Please provide a list including each issuer's name, date, amount, rating, liquidity provider/credit enhancer, whether the issue has a letter of credit or liquidity facility, mode, and average spread to SIFMA since January 1, 2008.
2. Briefly discuss your firm's experience and performance since the beginning of 2008 with pricing and remarketing: (a) insured VRDBs, (b) uninsured VRDBs with just liquidity or with a letter of credit. Also discuss your firm's efforts to support VRDB programs by taking bonds into inventory, its capacity to do so going forward, and whether your firm has put bonds to liquidity banks. (Any supporting tables or schedules can be included as an attachment.)
3. Provide brief biographies of the public finance personnel specifically dedicated to this issue and those who will be responsible for the marketing of the Commonwealth's variable rate debt. Be specific regarding the person or persons who would have day-to-day responsibility for Virginia's variable rate program. Please provide phone number and e-mail address of the primary contact.
4. Provide a statement indicating how you believe your firm will be able to obtain the lowest cost of funds for Virginia's VRDB program.
5. Please provide a statement of the firm's net excess capital and its ability to hold bonds in inventory.
6. Please provide three (3) references for variable rate demand programs your firm has managed, include phone numbers and e-mail addresses.
7. Please disclose any conflicts of interest or potential conflicts of interest that may arise as a result of your being hired for this engagement. Identify fully the extent to which your firm or individual partners or employees are the subject of any ongoing securities investigation, are a party to any securities litigation or arbitration, or are the subject of a subpoena in connection with a municipal securities investigation, including any investigations involving auction rate securities. In addition, include any such investigations which concluded in an enforcement or disciplinary action ordered or imposed in the last three years.

C. Pricing (25%)

1. Provide an estimate of the dollar cost of a variable rate issue of \$25 million that will include:
 - a. proposed fees; identify any takedown and management fee to be paid at closing as well as the proposed ongoing remarketing fee;
 - b. a preliminary interest rate for Thursday, September 4, 2008 and estimated all-in cost for VRDBs in the daily, weekly and monthly modes;
 - c. identification of one or more firms to serve as underwriter's counsel and their estimated cost;
 - d. other underwriter expenses;
2. Will these proposed fees for a \$25 million issue change for a variable rate issue of up to \$100 million?

D. Participation of Small, Women-Owned, and Minority-Owned Businesses (5%)

1. Describe any current and planned utilization of businesses in the three classes identified.

DELIVERY OF INFORMATION:

In order to be considered for selection, a complete response to this RFP must be submitted. **Please submit your electronic proposal OR 3 copies of your proposal no later than 12:00 noon EDT on September 11, 2008. A cover letter should be submitted with your proposal stating that your firm agrees to serve as Underwriter/Remarketing Agent to the Commonwealth in accordance with the attached proposal for the purposes outlined in the RFP.** The Commonwealth reserves the right to waive any irregularity in any proposal and to reject any or all proposals and to select an underwriting team based solely on the proposals submitted. No joint proposals will be accepted.

Proposals must be delivered or mailed or preferably e-mailed as follows:

Delivery Address:

Evelyn R. Whitley
Director of Debt Management
Department of the Treasury
101 North 14th Street, 3rd Floor
Richmond, Virginia 23219
evie.whitley@trs.virginia.gov

Mailing Address:

Evelyn R. Whitley
Director of Debt Management
Department of the Treasury
P.O. Box 1879
Richmond, Virginia 23218-1879

RFP DM-09-005 for Underwriter/Remarketing Agent
Due: Noon, September 11, 2008

Also submit an electronic copy to:

Janet M. Lee
Senior Managing Director
Public Resources Advisory Group
40 Rector Street, Suite 1600
New York, NY 10006
jlee@pragny.com

QUESTIONS AND INFORMATION REQUESTS:

If you have any questions please contact:

Kelley Denton, Virginia Department of the Treasury Procurement Officer at (804) 786-4741
or Kelley.Denton@trs.virginia.gov